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USAID Grant No. 271-K-641

AGREEMENT FOR CASH TRANSFER ASSISTANCE

between

THE GOVERNMENT OF ISRAEL

and

THE GOVERNMENT OF THE UNITED STATES OF AMERICA

acting through

THE UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

Dated: December 31, 2001

This Agreement for Cash Transfer Assistance ("Agreement"), dated December 31, 2001 between the Government of Israel and the Government of the United States of America, acting through the U.S. Agency for International Development ("USAID"), together referred to as the ("Parties").

ARTICLE I

The Grant

The purpose of this Grant (as such term is defined below) is to support the economic and political stability of the Government of Israel. The Government of the United States of America acting through USAID and pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant to the Government of Israel as cash transfer ("Cash Transfer") assistance under the terms of this Agreement an amount not to exceed \$149,917,000 (One Hundred Forty-nine Million, Nine Hundred Seventeen Thousand United States Dollars) (the "Grant").

ARTICLE II

Conditions Precedent to Disbursement

SECTION 2.1: Conditions Precedent to Disbursement

Prior to the disbursement of the Grant, or to the issuance by USAID of documentation pursuant to which disbursement will be made, the Government of Israel will provide, except as the Parties may otherwise agree in writing, and in form and substance satisfactory to USAID:

- (a) a statement of the name of the person holding or acting as the representative of the Government of Israel, as specified in Section 5.2 hereof, and of any additional representatives, together with a specimen signature of each person specified in such statement; and,
- (b) a designation of the bank account to which the Grant proceeds are to be deposited, together with the Government of Israel's statement that such bank account is established and will be maintained in the manner required by Section 4.3 hereof.

SECTION 2.2: Notification

When USAID has determined that the Conditions Precedent to Disbursement specified in Section 2.1. above have been met, it will promptly so notify the Government of Israel in writing, via an implementation letter.

SECTION 2.3: Terminal Date for Conditions Precedent

If the Conditions Precedent to Disbursement specified in Section 2.1 above have not been met within ninety days from the date of this Agreement, or such later date as USAID may agree

to in writing, USAID, at its option, may terminate this Agreement by written notice to the Government of Israel.

ARTICLE III

Disbursement

SECTION 3.1: Disbursement of the Grant

After satisfaction of the Conditions Precedent to Disbursement in Section 2.1 above, USAID will deposit in the bank designated by the Government of Israel pursuant to Section 2.1(b) above the sum of One Hundred Forty-nine Million, Nine Hundred Seventeen Thousand United States Dollars (\$149,917,000).

SECTION 3.2: Date of Disbursement

Disbursement by USAID will be deemed to occur on the date USAID makes deposit to the bank designated by the Government of Israel in accordance with Section 3.1 above.

ARTICLE IV

Special Covenants

SECTION 4.1: No Use for Military Purposes

The Government of Israel shall not use proceeds from the Grant to finance military requirements of any kind, including the procurement of commodities or services for military purposes.

SECTION 4.2: Uses of Grant Proceeds

The proceeds of the Grant may only be expended for such purposes as may be agreed upon by the two Parties. Program uses of the Grant shall be restricted to the geographic areas, which were subject to the Government of Israel's administration prior to June 5, 1967.

SECTION 4.3: Accounting for Grant Proceeds

The Parties agree on the following applicable procedures:

- (a) Grant proceeds will be deposited to a bank account established by the Government of Israel solely for the receipt of this Cash Transfer assistance from USAID. Such proceeds may not be commingled with funds from any other source. Should any interest be earned on such an account, such interest will be treated as though it were principal (i.e., Grant proceeds) received under the terms of this Agreement.

- (b) For a period of three years from the disbursement by USAID under this Agreement, the Government of Israel will maintain financial documentation, books, and records of the use of the Grant proceeds, in accordance with generally accepted international accounting principles and practices, consistently applied. Within four months of the disbursement by USAID of the Grant proceeds, and then on July 14, 2002, and then 15 days after the close of each calendar year quarter thereafter, the Government of Israel will advise USAID in writing, with appropriate detail, on the uses to which such Grant proceeds have been put. The documentation, books and records required hereunder will be available for examination by USAID or any of its authorized representatives at all times as USAID may reasonably request for a period of three (3) years after the date of disbursement by USAID under this Agreement.
- (c) Should Grant proceeds be used in a way which will result in a generation of Israeli currency to the Government of Israel, then such generations will be deposited into a separate account to be established by the Government of Israel and will be available only for such purposes as USAID shall agree to. Prior to any contemplated uses of Grant proceeds for purposes which will result in such a generation, the Government of Israel and USAID will negotiate and sign an agreement which sets forth: (1) the amount of Israeli currency to be generated or the formula for computation; (2) the terms and conditions for utilization of such Israeli currency; and, (3) the responsibilities of the Government of Israel and USAID with respect to monitoring and accounting for deposits into and disbursements from the separate account.

ARTICLE V

Miscellaneous

SECTION 5.1: Communications

Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such Party at the following address:

To the: Minister for Economic Affairs
Embassy of Israel
3514 International Drive, N.W.
Washington, D. C. 20008

To USAID: Director, Office of Strategic Planning, Operations and Technical Support
Bureau for Asia and the Near East
U.S. Agency for International Development
Room 4.09-043, RRB
Washington, D.C. 20523

All such communication shall be in English, unless the Parties otherwise agree in writing.

Other addressees may be substituted for the above upon the giving of written notice.

SECTION 5.2: Representatives

For all purposes relevant to this Agreement, the Government of Israel will be represented by the individual holding or acting as the Minister for Economic Affairs, Embassy of Israel. USAID will be represented by the individual holding or acting in the Office of Assistant Administrator, Bureau for Asia and the Near East, each of whom, by written notice, may designate additional representatives for all purposes.

The names of the representatives of the Government of Israel, with specimen signatures, shall be provided to USAID, which may accept as duly authorized any instrument signed by any one of such representatives in implementation to this Agreement, until receipt of written notice of revocation of their authority.

Also, the names of the representatives of USAID, with specimen signatures, shall be provided to the Government of Israel, which may accept as duly authorized any instrument signed by any one of such representatives in implementation to this Agreement, until receipt of written notice of revocation of their authority.

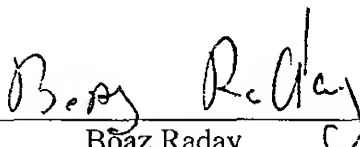
SECTION 5.3: Amendment

This Agreement may be amended by the execution of written amendments by the authorized representatives of both Parties.

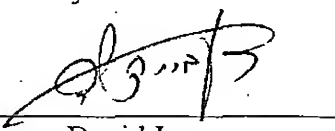
In Witness Whereof, the Government of Israel and USAID, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

GOVERNMENT OF ISRAEL

By:

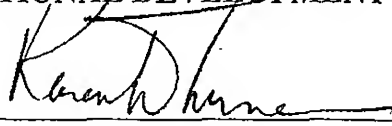

Boaz Raday
Minister for Economic Affairs
Embassy of Israel

By:


David Ivry
Ambassador of Israel to the United States

**GOVERNMENT OF THE
UNITED STATES OF AMERICA,
ACTING THROUGH
THE UNITED STATES AGENCY FOR
INTERNATIONAL DEVELOPMENT**

By:


Karen D. Turner
Acting Assistant Administrator
Bureau for Asia and the Near East